

This handout discusses retirement planning for employees who are approaching eligibility for optional retirement. The handout is just an overview, not a comprehensive document that covers every retirement situation. Employees can ask their HRSC retirement counselor specific questions applicable to their personal situation. The HRSCs also offers in-depth pre-retirement seminars at nominal cost.

SELECTING A RETIREMENT DATE

When you select a retirement date you must consider when you will be eligible for benefits and the date that the annuity will commence.

1. Retirement Eligibility. The minimum age and creditable service requirements for Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) retirement eligibility are:

CSRS			
OPTIONAL		EARLY*	
Age	Service	Age	Service
62	5 years	50	20 years
60	20 years	Any	25 years
55	30 years		

FERS			
OPTIONAL		EARLY*	
Age	Service	Age	Service
62	5 years	50	20 years
60	20 years	Any	25 years
MRA**	30 years		
MRA**	10 years		

* Early retirement is available to CSRS/FERS employees only under special authority from OPM to the activity. This normally occurs during periods of downsizing.

**To determine the FERS Minimum Retirement Age (MRA), refer to the table below:

If year of Birth is	The Minimum Retirement Age is	If Year of Birth is	The Minimum Retirement Age is
Before 1948	55 years	1965	56 years and 2 months
1948	55 years and 2 month	1966	56 years and 4 months
1949	55 years and 4 months	1967	56 years and 6 months
1950	55 years and 6 months	1968	56 years and 8 months
1951	55 years and 8 months	1969	56 years and 10 months
1952	55 years and 10 months	1970 and after	57
1953-1964	56 years		

2. Commencing Date of Annuity.

a. CSRS. Voluntary retirement annuities begin the first day of the month after separation for retirement. If a CSRS employee is in a pay status for 3 days or less during the month of retirement, the annuity begins the next day after separation. Example: Date of separation: 3 March; annuity begins 4 March.

b. FERS. Voluntary retirement annuities begin the first day of the month after separation for retirement. There is no special provision for FERS employees who are in a pay status 3 days or less in the month of retirement. Example: Date of separation: 3 March; annuity begins 1 April.

RETIREMENT ANNUITY

Employees who retire receive a monthly annuity check. The amount of the annuity depends upon the employee's high-3 average salary and length of service. The general formula used to calculate the annuity is different for CSRS and FERS employees.

a. CSRS. The general formula for CSRS employees is:

1.5 % of the high-3 average salary multiplied by the first 5 years of service; plus
1.75% of the high-3 average salary multiplied by service between 5 and 10 years; plus
2% of the high-3 average salary multiplied by all service over 10 years.

b. FERS. The general formula for FERS employees is 1% of the high-3 average salary multiplied by length of service. For employees retiring at age 62 or older with at least 20 years of service, the formula is 1.1% of the high-3 average salary multiplied by length of service.

In some situations, when an employee retires before age 62, the basic annuity is augmented until age 62 by an additional benefit called a Retiree Annuity Supplement.

There are several tools available that will allow you to estimate your retirement annuity. You can receive an annuity estimate from the Department of Navy's Employee Benefits Information System (EBIS) at the web address, <http://www.donhr.navy.mil> or by accessing the retirement module in The Benefits Line at 1-888-320-2917. In The Benefits Line, you can elect to have an annuity estimate faxed to you. In addition, annuity calculators are available through the General Services Administration (GSA) homepage at <http://www.finance.gsa.gov/csrs/> and through the Office of Personnel Management (OPM) homepage at <http://www.opm.gov/index.htm>.

As part of the retirement process your retirement counselor will provide you with an estimate of your annuity. After retirement, the Office of Personnel Management will provide a final annuity computation.

FACTORS AFFECTING RETIREMENT ANNUITY

1. Military Deposit. If you have post-1956 active duty military service you should be aware of the requirements for including military service in your civilian retirement.

a. CSRS. If you were hired before 1 October 1982, had post-1956 military service, and are eligible for Social Security benefits at age 62, you must make a deposit equal to 7% of your military base pay plus interest. If the deposit is not made, the military service will be included in the computation of your annuity when you retire, but the annuity will be recomputed at age 62 to exclude credit for the military service if you qualify for Social Security.

If you were hired on or after 1 October 1982, you must make a military service deposit in order to credit post-1956 military service toward CSRS retirement. Unless the deposit is paid, military service cannot be used to determine length of service for retirement eligibility or to compute the CSRS annuity.

b. FERS. You must make a deposit equal to 3% of your military base pay plus interest to receive credit for post-56 military service in computing your annuity and retirement eligibility.

c. Time Frame For Military Deposits. You must make any deposit for military service before retirement. You should request a statement of your earnings during military service from the military finance center and coordinate with your HRSC early in your retirement planning regarding the effect of making the deposit.

d. Retired Military. If you are retired military and are waving your military retired pay to credit the service in your civilian annuity, you should submit the waiver 60 days prior to the date you are retiring.

2. Deposit Service. If you have federal service for which retirement deductions were not withheld you should be aware of the effect it will have on your annuity.

a. CSRS. If you performed service before 1 October 1982 and retirement deductions were not withheld, the service will be creditable for retirement eligibility and annuity computation, but if you do not make a deposit, your annual annuity will be reduced by 10% of the deposit due. For example an employee who owes a \$1,000 deposit for temporary service will have his/her annuity reduced by \$100 per year or approximately \$8 per month. This will be a permanent reduction.

If service was performed after 1 October 1982, the service will be used to determine retirement eligibility. If a deposit is not paid, the service will not be used for annuity computation.

b. FERS. If you performed service prior to 1 January 1989 and retirement deductions were not withheld, you must make a deposit to receive credit for this service for retirement eligibility and annuity computation.

Non-deduction service performed on or after 1 January 1989 is not creditable under FERS for any retirement purposes. A deposit for this service cannot be made.

3. Redeposit Service. If you have federal service for which retirement deduction were withheld and later refunded you should be aware of the effect it will have your annuity.

a. CSRS. Refunds taken before 1 October 1990 are fully creditable for eligibility to retire and for annuity computation. However, if the redeposit is not made, the annuity will be reduced. The reduction is determined by dividing the amount of redeposit owed by an actuarial factor based on your age at the time you retire. Actuarial factors get smaller as you get older. For example, an individual retiring at age 57 who owed a redeposit (including interest) of \$7,325 would see a reduction of approximately \$35.00 per month or \$420.00 per year. The older you are at the time you retire, the smaller the actuarial factor will be.

If the refund was taken on or after 1 October 1990, the service covered by the refund is creditable for eligibility to retire, but is not creditable in the computation of the annuity.

b. FERS. If you received a refund of retirement deductions, the period of service covered by the refund is not creditable toward retirement eligibility or annuity computation. Furthermore, it is not possible to repay the refund to reestablish credit for the service.

4. Voluntary Contributions. If you have made voluntary contributions while under CSRS you may, at the time of retirement, use those contributions to purchase additional annuity or withdraw the contributions in a lump sum.

5. Survivor Annuity. When you retire you must elect whether to provide upon your death an annuity to your spouse, former spouse or person with insurable interest. The cost for a survivor annuity depends upon the type of survivor annuity and whether the retiree is CSRS or FERS.

a. Current Spouse. If you are married, you must decide whether to provide a monthly annuity for your spouse in the event of your death. For your spouse to continue health insurance coverage upon your death, you must have elected to provide a survivor annuity. Your spouse must sign a consent form if you want to provide less than full survivor benefits.

b. Former Spouse. There may also be a court ordered requirement for you to provide a survivor annuity to a former spouse.

c. Insurable Interest. You may elect to provide a survivor annuity to an individual with an insurable interest. You must have a physical examination at your own expense to elect an annuity for a person with an insurable interest.

6. Early Retirement. If you retire before the full optional retirement age and length of service, you may be subject to a reduction in your annuity.

a. CSRS. The annuity of an employee who retires before age 55 in cases of early or discontinued service retirement is reduced by one-sixth of 1% for each full month he/she is under age 55.
Example: If the employee retired on an early retirement at age 50, the annuity would be reduced 10%.

b. FERS. The annuity of an employee who retires under early deferred or MRA + 10 may be reduced five-twelfths of 1% for each full month the employee is under age 62 at the commencing date of the annuity.

7. Sick Leave. Depending upon retirement plan unused sick leave may be included in retirement annuity computations.

a. CSRS. Unused sick leave is added to the number of years and months of service for annuity computation.

b. FERS. Unused sick leave is not added to the computation of a FERS annuity unless the employee has a CSRS component.

FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) AFTER RETIREMENT

1. Requirements For Continuing FEHB Into Retirement. To continue FEHB enrollment into retirement, the employee must:

a. Retire on an immediate annuity. An immediate annuity under FERS includes retirement under the MRA + 10 provision, even if receipt of the annuity is postponed to a later date to eliminate or lessen the age reduction.

b. Be enrolled in an FEHB plan at the time of retirement.

c. Have been continuously enrolled (or covered as a family member) in a plan under FEHB, or covered by CHAMPUS for the 5 years immediately preceding retirement, or for all service. (Note: The 5 year requirement is waived for employees who retire on or after 1 October 1996, who were covered under the FEHB Program on and after 1 October 1996, and who receive a voluntary separation incentive.)

2. Action Required By Employee. If the above conditions are met, the FEHB will automatically continue into retirement. No action by the employee is necessary.

FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FGLI) AFTER RETIREMENT

1. Requirements For Continuing Basic FGLI Into Retirement. An employee may retain basic life insurance as a retiree if all of the following conditions are met:

a. The employee retires from a position in which insured;

b. The employee does not convert to an individual policy;

c. The employee retires on an immediate annuity; and

d. The employee has been insured under FGLI for the 5 years of service immediately preceding the retirement or the full period of service during which basic life insurance was available, if less than 5 years.

2. Requirements For Continuing Optional FEGLI Into Retirement. An employee may retain optional insurance as a retiree if:

- a. The employee is eligible to continue basic insurance coverage; and
- b. The optional insurance was in force for at least 5 years immediately preceding retirement or for the full period of service during which optional life insurance was available, if less than 5 years.

3. Action Required By Employee. Employees will have to make elections regarding Basic Life, Option B-Additional and Option C-Family coverage after retirement. There are no choices regarding Option A-Standard. The value and cost of FEGLI after retirement will depend on the elections the employee makes at the time of retirement.

4. Designation of Beneficiary. It is important that designation of beneficiary for FEGLI purposes be kept current.

THRIFT SAVINGS PLAN AFTER RETIREMENT

1. TSP Balance at Retirement. If you are separated from the Federal government for at least 31 days you may withdraw your vested TSP account balance. If your vested TSP account balance is \$3,500 or less, you will automatically receive a check for the amount unless you select another withdrawal option. If your account balance is less than \$5.00, the TSP will automatically forfeit the balance unless you claim the fund.

2. Options Regarding TSP. The options regarding your TSP are:

- a. Transfer your account to an Individual Retirement Arrangement (IRA) or other eligible retirement plan.
- b. Have the TSP purchase a life annuity, if your account balance is at least \$3,500.
- c. Receive your account balance in a single payment.
- d. Receive your account balance in a series of monthly payments.
- e. Leave your entire account balance in the TSP, subject to restrictions described in the attached booklet entitled "Withdrawing Your TSP Account."

3. TSP Loans. If you have an outstanding TSP loan, you may pay the loan in full at separation or take a taxable distribution of the unpaid amount. Taking a taxable distribution means that the portion of the loan that hasn't been repaid will be treated as taxable income and you may be liable for the 10% penalty for early withdrawal.

REVIEW SOCIAL SECURITY BENEFITS

You should request a statement of earnings and estimate of benefits from Social Security. The form to request an estimate is available from Social Security at: <http://www.ssa.gov/online/ssa-7004.html>. You can also request the statement on line at the same address. This statement does not reflect reductions for Government Pension Offset or the Windfall Elimination Provision. Your local Social Security office can give you an estimate that reflects the effect of these two provisions. The Government Pension Offset affects Social Security benefits you receive as a spouse or widow(er). The Social Security fact sheet at: <http://www.ssa.gov/pubs/10007.html> discusses this provision. The Windfall Elimination Provision affects how retirement benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure the benefit amount is modified, giving you a lower Social Security benefit. The Social Security fact sheet at: <http://www.ssa.gov/pubs/10045.html> discusses this provision.

HOW TO APPLY FOR RETIREMENT

1. **Notify Supervisor/Department.** Notify your supervisor/Department of your intentions to retire. This should be done 60 – 90 days prior to the effective date. You should complete and sign a SF 52, Request for Personnel Action, with a nature of action of “Retirement”. Ask your supervisor/Department to create an electronic SF 52, Request for Personnel Action, to send to your HRSC, along with the hard copy of the form.
2. **Retirement Package.** Request a retirement package from your HRSC. A retirement counselor will counsel you regarding your benefits and answer any questions that you might have.

PRIVACY ACT STATEMENT

"Privacy Act Notice. We are authorized to request this information under 5 U.S.C. Chapter 84. Executive Order 9397 authorizes us to ask for your Social Security number, which will be used to identify your account. You are not required by law to provide this information, but if you do not provide it, it may not be possible to process the actions you request on this Web site."